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SPECIAL ANALYSIS

POLAND: Assessment of Labor Unrest

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The strikes and work slowdowns that have sprung up in Poland since early July will persist and labor unrest--perhaps to a greater extent than ever before--will play a more crucial role in domestic politics. The increasingly cynical working class has little trust in the system and is unwilling to tolerate a reduction in its standard of living. The regime cannot continue a conciliatory approach, however, because concessions negate efforts to relieve the country's balance-of-payments problem and to improve economic efficiency. Despite these mounting problems, there are no signs that pressure is building within the party for the removal of First Secretary Gierek.

Any preliminary evaluation by the regime of the worker disturbances will, at best, result in mixed conclusions. Some party leaders may believe that the increases on meat prices have broken a political taboo. They also may believe that the absence of a confrontation on the issue demonstrates the party's ability to exercise control over the workers under difficult circumstances.

These developments, however, will be weighed against the fact that the regime caved in to worker demands for pay increases. The events also revealed serious weaknesses in the activity of the party and its mass organizations.

Some provincial party organs apparently made tactical errors that caused certain strikes, and at times local party officials disobeyed orders from Warsaw. Moreover, some party members participated in strikes.

The failure of the trade unions to play any role in the negotiation of worker grievances, and the strikers' demands for unions that represent worker instead of government interests will be particularly worrisome to the

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Approved for Release
Date AUG 1999

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leadership. It may not be confident that it can temporize until worker interest in more representative trade unions diminishes, as it did in 1970 and 1976.

The party leadership also must be concerned that political dissident groups seized upon the events to act as an alternate news service, compelling the regime itself to be more forthcoming with Western journalists. The dissidents' apparent success in establishing more direct contacts with workers is another setback.

The disturbances probably have not diminished Gierek's personal status or his control over the party. No other member of the current leadership appears willing, or in a position, to offer either himself or new policy approaches as alternatives.

Gierek is not likely to press for high-level scapegoats, if only because numerous personnel changes were made at the party Congress in February. With some justification, the authorities in Warsaw may place the blame for inept handling of the situation on lower level bureaucrats.

Economic Implications

The economic implications of the unrest are all negative. In particular, the regime's conciliatory approach to the striking workers has seriously set back the critically important austerity program. Wage increases have been granted that are far in excess of the mild price increases implemented last month and will increase the national wage bill far more than originally planned.

In addition, large production losses will reduce exports and increase the need for compensatory imports. The Minister of Foreign Trade has conceded that the government has abandoned hope for achieving a hard currency trade surplus in 1980.

Economic factors beyond Poland's control ensure that the Poles face a prolonged period of austerity. As consumers, the Poles refuse to tolerate higher prices and a

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lower standard of living; as producers, they have successfully resisted linking wage increases to greater productivity.

Any policy of appeasing the workers would require diminished exports of food and other consumer goods and probably even an increase in imports of these goods. Such a shift of resources would severely complicate Polish efforts to borrow in Western capital markets.

To ease pressures in the consumer sector, the regime is left with the alternative of further cutting its investment program or moderating defense spending. Investment cuts, however, would seriously harm the economy over the long run, while any cutback in defense spending probably would be opposed by the Soviets.

Soviet Concern

The Soviet leadership showed its heightened concern about recent Polish events by reducing the level of its representation at the Polish National Day celebration in Moscow on 22 July. The Soviet media also portrayed the Brezhnev-Gierek talks of 31 July in a somewhat cooler tone than is normal.

The Soviets will be particularly sensitive to any sign that Gierek would be willing to allow greater influence by unofficial worker groups, although there is no indication that Moscow has lost its confidence in Gierek. Under current unstable conditions in Poland, Moscow would be uncertain what consequences would result from withdrawing its support and it probably sees no advantage in setting off a power struggle in Warsaw.

Outlook

For the next few months, the Polish leadership will assess the implications of the labor unrest--which has still not run its course--and seek to regain the initiative. It is unclear how the disturbances will affect the leadership's willingness to pursue essential but unpopular economic policies, or the pace at which it might proceed.

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Gierek probably will not retreat into a passive mood as he did after the 1976 riots. He may instead choose to proceed with wholesale price increases and other policy changes that are least likely to provoke workers. He might also entertain a broader discussion about economic reform, even though neither he nor Prime Minister Babiuch seem interested in radical changes.

The limited economic resources at Gierek's disposal and his unwillingness to stray too far from traditional Communist practice leave him with few alternatives. His main challenge will be to convince the people to accept austerity as the only realistic course. Toward that end, he probably will appeal increasingly to Polish patriotism and count on the Catholic Church to continue its efforts to moderate public opinion.

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